VZCZCXYZ0001
PP RUEHWEB

DE RUEHTU #0037/01 0151744
ZNR UUUUU ZZH
P 151744Z JAN 10
FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC PRIORITY 7157
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY
RUCPCIM/CIMS NTDB WASHDC
RUCNMGH/MAGHREB COLLECTIVE

UNCLAS TUNIS 000037

SENSITVE
SIPDIS

STATE FOR EEB/IFD/OIA AND NEA/MAG
STATE PASS USTR (BURKHEAD) AND USAID
USDOC FOR ITA/MAC/ONE (MASON), ADVOCACY CTR (TABINE), AND CLDP
(TEJTEL AND MCMANUS)
CASABLANCA FOR FCS (KITSON)

LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A
TAGS: ECON EFIN ETRD OPIC KTDB USTR TS
SUBJECT: TUNISIA: 2010 INVESTMENT CLIMATE REPORT

Sensitive but unclassified; please protect accordingly.

Openness to Foreign Investment

The Tunisian Government actively encourages and places a priority on attracting foreign direct investment (FDI) in key industry sectors, such as call centers, electronics, aerospace and aeronautics, automotive parts and textile manufacturing. The Government encourages export-oriented FDI and screens any potential FDI to minimize the impact of the investment on domestic competitors and employment.

Foreign investment in Tunisia is regulated by Investment Code Law No. 93-120, dating from December 1993, and was last amended on January 26, 2009. It covers investment in all major sectors of economic activity except mining, energy, the financial sector and domestic trade.

The Tunisian Investment Code divides potential investments into two categories:

- Offshore, in which foreign capital accounts for at least 66 percent of equity and at least 80 percent of production is destined for the export market (with some exceptions for the agricultural sector), and

- On-shore, in which foreign equity is limited to 49 percent in most non-industrial projects. On-shore industrial investment can have up to 100 percent foreign equity.

The legislation contains two major hurdles for potential FDI:

- Foreign investors are denied national treatment in the agriculture sector. Foreign ownership of agricultural land is prohibited, although land can be secured through long-term (up to 40 years) lease. However, the Government actively promotes foreign investment in agricultural export projects.

- For onshore companies outside the tourism sector, government authorization is required if the foreign capital share exceeds 49 percent and can be difficult to obtain.

Investment in manufacturing industries, agriculture, agribusiness, public works, and certain services requires only a simple declaration of intent to invest. Other sectors can require a series of Government of Tunisia authorizations.

The Government of Tunisia allows foreign participation in its privatization program and a significant share of Tunisia's FDI in recent years has come from the privatization of state-owned or state-controlled enterprises. Privatizations have occurred in telecommunications, banking, insurance, manufacturing, and petroleum distribution, among others. Major FDI entered the financial sector via the privatization of Banque du Sud, since renamed Attijari Bank, in late 2005. In 2006, TECOM Investments and Dubai Investment Group purchased a 35% stake, valued at US $2.25 billion, in state-owned Tunisie Telecom. In July 2008, French company Groupama won a bid to purchase 35 percent of the Societe Tunisienne d'Assurances et de Reassurances (STAR) for 70 million Euro (around $100 million). In 2008, the French bank Caisse Gnrale d'Epargne purchased 60 percent of the Tunisian Kuwaiti Bank (BTK), valued at US $249 million.

Tunisia's investment promotion authorities have established a system of regulations that has received favorable feedback from established US companies it has assisted.
Nevertheless, there are difficulties, particularly when US companies have attempted to launch projects in sectors that the Government of Tunisia does not actively promote. Until recently the Government discouraged foreign investment in service sectors such as restaurants, real estate, and retail distribution. Many of these issues are expected to be addressed in the context of ongoing negotiations between Tunisia and the European Union over liberalization of services sector under the EU/Tunisia Association Agreement.

Indeed, FDI in retail distribution is gradually expanding. French multinational retail chain Carrefour opened its first store in 2001, followed by the entry of French retail company Geant in 2005. Until then, Monoprix, a French grocery franchise, dominated the retail grocery market. In August 2009, the Tunisian Government adopted a new law to regulate domestic trade, which includes a new legislative framework for franchising -until recently franchise status was only granted to businesses on a case-by-case basis. Thanks to this new law, franchises now have the ability to set up shop like any other business serving the Tunisian market. Although some issues still need to be clarified through the upcoming implementation decree, such as the details of royalty repatriation, the law will likely encourage investment, create additional jobs and boost knowledge transfer. Many Tunisian business groups have already started looking for international franchisors and are confident the market exists for franchises to thrive.

Since 2007, there have been numerous announcements of significant Arabian Gulf company investments in the real estate sector but due to the international economic crisis, some investments have been postponed and possibly cancelled. Sama Dubai, which was set to build the Mediterranean Gate mega-construction project, has halted their operations. Investment has not come to a complete standstill, however: Another such investment, the Bukhatir Group's Tunis Sports City, a sports and recreational complex, is moving forward as planned,

FDI in certain state monopoly activities (electricity, water, postal services) can be carried out following establishment of a concession agreement. There are also certain restrictions on trade activities. With few exceptions, domestic trading can only be carried out by a company set up under Tunisian law, in which the majority of the share capital is held by Tunisians and management is Tunisian. An additional barrier to non-EU investment results from Tunisia's Association Agreement with the European Union. The EU is providing significant funding to Tunisia for major investment projects, but clauses in the agreement prohibit non-EU member countries from participation in many EU-funded projects.

Each year in June, the Ministry of Development and International Cooperation and the Foreign Investment Promotion Agency (FIPA) hosts an investment promotion event called the Carthage Investment Forum. The purpose of the event is to introduce visiting foreign investors to the Tunisian investment environment and local business opportunities.

Conversion and Transfer Policies

The Tunisian Dinar is not a fully convertible currency, and it is illegal to take dinars in or out of the country. Although it is convertible for current account transactions (i.e. most bona fide trade and investment operations), Central Bank authorization is needed for some foreign exchange operations. The Government of Tunisia has publicly committed to full convertibility of the dinar by 2014.

Non-residents are exempt from most exchange regulations. Under foreign currency regulations, non-resident companies are defined as having:

- Non-resident individuals who own at least 66 percent of the capital, and
- Capital financed by imported foreign currency.

Foreign investors may transfer returns on direct or portfolio investments at any time and without prior authorization. This applies to both principal and capital in the form of dividends or interest. US companies have generally praised the speed of transfers from Tunisia, but lamented that long delays may occur in some operations.

There is no limit to the amount of foreign currency that visitors can bring into Tunisia and exchange for Tunisian Dinars. Amounts exceeding the equivalent of 25,000 Tunisian Dinars (approximately US $19,250) must be declared at the port of entry. Non-residents must also report foreign currency imports if they wish to re-export or deposit more than 5,000 Tunisian Dinars (roughly US $3,850). Tunisian customs authorities may require production of currency exchange receipts on exit.

The dinar is traded on an intra-bank market. Trading operates around a managed float established by the Central Bank (based upon a basket of the Euro, the US dollar and the Japanese yen). In 2009 (up to November 25), the Tunisian Dinar appreciated 2.8 percent against the USD and depreciated 3.1 percent against the Euro.

Expropriation and Compensation

The Tunisian Government has the right to expropriate property by eminent domain; there is no evidence of consistent discrimination against US and foreign companies or individuals. There are no outstanding expropriation cases involving US interests and such cases are rare. No policy changes on expropriation are anticipated in the coming year.

Dispute Settlement

There is no pattern of significant investment disputes or discrimination involving US or other foreign investors. However, to avoid misunderstandings, contracts for trade and investment projects should always contain an arbitration clause detailing how eventual disputes should be handled and the applicable jurisdiction. Tunisia is a member of the International Center for the Settlement of Investment Disputes and is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Tunisian legal system is based upon the French Napoleonic code. There are adequate means to enforce property and contractual rights. Although the Tunisian constitution guarantees the independence of the judiciary, the judiciary is not fully independent of the executive branch. Local legal experts assert that courts are susceptible to political pressure.

The Tunisian Code of Civil and Commercial Procedures does allow for the enforcement of foreign court decisions under certain circumstances. Commercial disputes involving US firms are relatively rare. In cases were disputes have occurred, US firms have generally been successful in seeking redress through the Tunisian judicial system.

Performance Requirements and Incentives

Performance requirements are generally limited to investment in the petroleum sector or in the newer area of private sector infrastructure development. These requirements tend to be specific to the concession or operating agreement (e.g., drilling a certain number of wells or producing a certain amount of electricity). More broadly, the preferential status (offshore, free trade zone) conferred upon some investments is linked to both percentage of foreign corporate ownership and limits on production for the domestic market.

The Tunisian Investment Code and subsequent amendments provide a broad range of incentives for foreign investors, which include tax relief on reinvested revenues and profits, limitations on the value-added tax on many imported capital goods, and optional depreciation schedules for production equipment.

In order to encourage employment of new university graduates, the Government will bear the full cost of the employee's salary for the first two years of employment, and then a portion of the salary for the next five years. The Government will also pay initial training costs for new graduates. On December 23, 2008, the GOT announced that it would bear 50 percent of employers' contributions to the National Social Security Fund (CNSS) during period of partial layoffs due to the international financial crisis.

Large investments with high job creation potential may benefit, under certain conditions determined by the Higher Commission on Investment, from the use of state-owned land for a symbolic Tunisian dinar (less than one US dollar). Investors who purchase companies in financial difficulty may also benefit from certain clauses of the Investment Code, such as tax breaks and social security assistance; these advantages are determined on a case-by-case basis.

Additional incentives are available to promote investment in designated regional investment zones in economically depressed areas of the country, and throughout the country in the following sectors: health, education, training, transportation, environmental protection, waste treatment, and research and development in technological fields.

Further benefits are available for investments of a specific nature. For example, companies producing at least 80 percent for the export market receive tax exemptions on profits and reinvested revenues, duty-free import of capital goods with no local equivalents, and full tax and duty exemption on raw materials and semi-finished goods and services necessary for the business.

Foreign companies resident in Tunisia face a number of restrictions related to the employment and compensation of expatriate employees. Tunisian law limits the number of expatriate employees allowed per company to four. There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits expatriate work permit validity to a total of two years. Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, a foreign resident company that has brought in an accountant would have to document that the service was necessary, fairly valued, and unavailable in Tunisia before it could receive authorization to transfer payment from its operations in Tunisia. This regulation prevents a foreign resident company from paying for services performed abroad.

For US passport holders, a visa is not necessary for stays of up to four months; however, a residence permit is required for longer stays.

Right to Private Ownership and Establishment

Tunisian Government actions clearly demonstrate a strong preference for offshore, export-oriented FDI. Investors in that category are generally free to establish and own business enterprises and engage

in most forms of remunerative activity. Investment which competes with Tunisian firms or on the Tunisian market or which is seen as leading to a net outflow of foreign exchange may be discouraged or blocked.

Acquisition and disposal of business enterprises can be complicated under Tunisian law and depend on the nature of the contract specific to the proposed transaction.

Disposal of a business investment leading to reductions in the labor force may be challenged or subjected to substantial employee compensation requirements. Acquisition of an on-shore company may require special authority from the Government if it is an industry subject to limits on foreign equity shareholding (such as in the services sector).

Protection of Property Rights

Secured interests in property are both recognized and enforced in Tunisia. Mortgages and liens are in common use. Tunisia is a member of the World Intellectual Property Organization (WIPO) and has signed the United Nations (UNCTAD) Agreement on the Protection of Patents and Trademarks. The agency responsible for patents and trademarks is the National Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriete Industrielle). Foreign patents and trademarks should be registered with INNORPI.

Tunisia's patent and trademark laws are designed to protect only owners duly registered in Tunisia. In the area of patents, US businesses are guaranteed treatment equal to that afforded to Tunisian nationals. Tunisia updated its legislation to meet the requirements of the WTO agreement on Trade-Related aspects of Intellectual Property (TRIPS). Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTPDA - Organisme Tunisien de Protection des Droits d'Auteur), which also represents foreign copyright organizations. New legislation now permits customs officials to inspect and seize goods if copyright violation is suspected.

The new Customs Code, which went into effect on January 2009, allows customs agents to seize suspect goods in the entire country for products under foreign trademarks registered at INNORPI. Tunisian Copyright Law (No. 94-36, dated February 24, 1994) has been amended by law No. 2009-33, dated June 23, 2009, and includes literary works, art, scientific works, new technologies and digital works. However, its application and enforcement have not always been consistent with foreign commercial expectations. Print audio and video media are considered particularly susceptible to copyright infringement, and there is evidence of significant retail sale of illegal products in these media. Illegal copying of software and entertainment CDs/DVDs is widespread.

Although the concept and application of intellectual property protection is still in the early stages, the Government is making an effort to build awareness and has increased its enforcement efforts in this area. These efforts have led a major supermarket chain to halt the sale of pirated audio and video goods. A US Government-backed initiative, operated by the Department of Commerce in conjunction with United States Patent and Trademark Office (USPTO) provides training for Tunisian officials in the field of IPR regulation enforcement. The Government of Tunisia has announced that new IPR legislation is being drafted which will improve enforcement capabilities and strengthen punishment for offenders.

Transparency of Regulatory System

While the Tunisian Government has adopted policies designed to promote foreign investment, it continues to enact legislation and implement protectionist measures to safeguard domestic industry. Some amendments to the Investment Code have substantially improved, standardized, and codified incentives for foreign investors. However, some aspects of existing tax and labor laws remain impediments to efficient business operations.

Tunisia's ranking improved from 73 to 69 of 183 economies regarding the ease of doing business in the World Bank's Doing Business 2010 report. That said, some bureaucratic procedures, while slowly improving in some areas, remain cumbersome and time-consuming. Foreign employee work permits, commercial operating license renewals, infrastructure-related services, and customs clearance for imported goods are usually cited as the lengthiest and most opaque procedures in the local business environment. Investors have commented on inconsistencies in the application of regulations. These cumbersome procedures are not limited to foreign investment and also affect the domestic business sector.

-- -----
Efficient Capital Markets and Portfolio Investment
-- -----

The mobilization and allocation of investment capital are still hampered by the underdeveloped nature of the local financial system. Tunisia's stock market "Bourse de Tunis" is under the control of the state-run Financial Market Council and lists 51 companies. The Government offers substantial tax incentives to encourage companies to join the exchange, and expansion is occurring. In September 2009, the stock market capitalization of listed companies in Tunisia was valued at TND 11.209 billion (US $8.689 billion), approximately 21% of 2009 GDP, up from TND 8.301 billion (US $6.723 billion) in December 2008. Over the first nine months of 2009, Tunindex, the stock market's benchmark index, grew by 40.5 percent, up from 28.6 percent growth in 2008 for the same period. Capital controls are still in place. Foreign investors are permitted to purchase shares in resident firms (through authorized brokers) or to purchase indirect investments through established mutual funds.

The banking system is considered generally sound and is improving as the Central Bank has begun to enforce adherence to international norms for reserves and debt. Given the current pace of reforms, the banking sector actually weathered the international economic crisis and resisted serious adverse effects visible in other countries. Reform is underway, however. Recent measures include actions to strengthen the reliability of financial statements, enhance bank credit risk management, and improve creditors' rights. Revisions to banking laws tightened the rules on investments and bank licensing, and increased the minimum capital requirement. The required minimum risk-weighted capital/asset ratio has been raised to 8 percent, consistent with the Basel Committee capital adequacy recommendations. Despite the strict new requirements, many banks still have substantial amounts of non-performing or delinquent debt in their portfolios. The Government has established debt recovery entities (societes de recouvrement de creances) to buy the non-performing loans (NPLs) of commercial banks. The current ratio

of NPLs to total loans is around 15 percent although the Presidential electoral program, announced in October 2009, targets a 7 percent ratio by 2014. Although in recent years the Government has undertaken a number of banking privatizations and consolidations, the Government is the controlling shareholder in 10 of the 20 major banks. The estimated total assets of the country's five largest banks are about TND 24.482 billion (roughly US $19.83 billion). Foreign participation in their capital has risen significantly and is now well over 20 percent.

In the last five years regulatory and accounting systems have been brought more in line with required international standards. Most of the major global accounting firms are represented in Tunisia. Tunisian firms listed on the stock exchange are required to publish semiannual corporate reports audited by a certified public accountant.

On June 12, 2009 the GOT passed legislation addressing access to financial services for non-residents (law No. 2009-64). Financial authorities aimed essentially to address regulatory gaps in the existing system by giving an appropriate framework for financial transactions between non-residents, introducing new financial tools attractive to foreign investors, defining new rules for monitoring and supporting the creation of the Tunis Financial Harbor project (a US $3 billion Bahraini project inaugurated on June 12, 2009 and envisioned to include banks, real estate firms, investment companies, commercial centers, housing units and tourism areas). The

code allows non-resident individuals or companies to use financial products and services as well as perform other relevant financial operations. Non-resident financial service providers may, in some cases and under certain conditions, provide services to residents. Regarding financial products, the code distinguishes between two types: securities and financial contracts. Both must be issued in Tunisia or negotiated on a foreign regulated market member of the International Securities Commissions Organization.

Concerning financial services providers, the code established two categories of status regarding activities: banking (deposits, loans, payments and exchange operations, acquisition of capital in operating companis or companies in current creation) and investment services (reception, transmission, orders executin and portfolio management). Non-resident finanial entities, namely lending institutions authorzed to act as banks, investment companies and potfolio management companies are considered by the cde non-resident investment service providers.
Among the conditions required, non-resident finanial service providers must present initial minimm capital (fully paid up at subscription) in conertible currency equivalent in dinars to 25 millin for a bank (US $19.25 million), 10 million (US $.7 million) for a financial institution, 7.5 milion (US $5.775 million) for an investment compan and 250,000 (US $192,500) for a portfolio manaement company.

Political Vilence

Tunisia is a stable ountry, and incidents involving politically-motiated damage to economic projects or infrastructure are extremely rare. In April 2002, al-Al-Qa'ida took responsibility for at an attack at the synagogue on the island of Djerba that claimed 20 victims, 14 of them German tourists. This resulted in a significant reduction in the number of European visitors in the immediate aftermath of the attack, but the sector has now recovered. In December 2006 and January 2007, Tunisian security forces disrupted a terrorist group, killing or capturing many individuals who reportedly planned to carry out acts of violence in Tunisia. The US Embassy in Tunis was reportedly among the group's intended targets. In February 2008 Al-Qa'ida in the Islamic Maghreb claimed responsibility for kidnapping two Austrian tourists along Tunisia's southern border with Algeria. They were released in Mali in September, reportedly after payment of a ransom.

Corruption

Tunisia's penal code devotes 11 articles to defining and classifying corruption and to assigning corresponding penalties (including fines and imprisonment). Several other legal texts also address broader concepts of corruption including violations of the commercial or labor codes, which range from speculative financial practices to giving or accepting bribes. Detailed information on the application of these laws or their effectiveness in combating corruption is not publicly available. There are no statistics specific to corruption. The Tunisian Ministry of Commerce publishes information on cases involving the infringement of the commercial code, but these incidents range from non-conforming labeling procedures to price/supply speculation. The print media report abuses of fiduciary authority by public officials only on rare occasions. Anecdotal reports from the Tunisian business community and US businesses with regional experience suggest that corruption exists, but is not as pervasive as that found in neighboring countries. After several years of steady improvement, Tunisia's ranking on Transparency International's (TI) Corruption Index dropped from 43 in 2005 with a CPI score of 4.9 to 65, in 2009 with a score of 4.2. At the regional level, Tunisia is ranked 8th among MENA countries, before its direct competitor, Morocco (10), and its neighbors Algeria (11) and Libya (15). According to the TI Corruption Index scale, a score of ten indicates extremely little corruption and a score of zero means very serious corruption.

Most US firms involved in the Tunisian market have not identified corruption as a primary obstacle to foreign direct investment. Some potential investors have asserted that unfair practices and

corruption among prospective local partners have delayed or blocked specific investment proposals, or there has been an appearance that cronyism or influence peddling has affected some investment decisions. Some analysts believe corruption, or the perception of corruption, has affected domestic investment rates.

The Government's recent efforts to combat corruption have concentrated on ensuring that price controls are respected, enhancing commercial competition in the domestic market, and harmonizing Tunisian laws with those of the European Union. Since 1989, the public sector is governed by a comprehensive law designed to regulate each phase of public procurement and established the Higher Market Commission (CSM - Commission Superieure des Marches) to supervise the tender and award of major Government contracts. The Government publicly supports a policy of transparency and has called for it in the conduct of privatization operations. Public tenders require bidders to provide a sworn statement that they have not and will not, either themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project. Pursuant to the US Foreign Corrupt Practices Act (FCPA), the US Government requires that American companies requesting US Government advocacy support with foreign states certify not to participate in corrupt practices.

Bilateral Investment Agreements

A Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States was signed in 2002 and three TIFA Council meetings have taken place, most recently in March 2008. A Bilateral Investment Treaty between Tunisia and the United States took effect in 1991. A 1985 treaty (and 1989 protocol) guarantees US firms freedom from double taxation.

Tunisia has concluded bilateral trade agreements with approximately 81 countries. In January 2008, Tunisia's Association Agreement with the EU went into effect eliminating tariffs on industrial goods with the eventual goal of creating a free trade zone between Tunisia and the EU member states. In addition, Tunisia is signatory of the multilateral agreements with the Multilateral Investment Guarantee Agency (MIGA). Tunisia has signed the Agreement on WTO, bilateral agreements with the Member States of the European Free Trade Association (EFTA), bilateral and multilateral agreements with Arab League members, and a bilateral agreement with Turkey.

OPIC and Other Investment Insurance Programs

OPIC is active in the Tunisian market and provides political risk insurance and other services to a variety of US companies. OPIC supports private US investment in Tunisia and has sponsored several reciprocal investment missions. The 1963 OPIC agreement with Tunisia was revised and signed in February 2004.

Labor

Tunisian labor is readily available. Tunisia has a labor force of approximately 3.5 million and a national literacy rate of about 75 percent. About 90 percent of the work force under 35 is literate. The official unemployment rate is 14.1 percent (although this is considerably higher in some regions). The figure does not include many who are underemployed.

Nearly 80,000 new jobs must be created each year to keep unemployment at current levels, while sustained annual GDP growth of about 7 percent would be required in order to make significant inroads into the chronic unemployment figure. The structure of the workforce has remained stable over the past 20 years (19 percent agriculture, 32 percent industry, and 49 percent commerce and services).

The right to form a labor union is protected by law. There is only one national labor confederation, the General Union of Tunisian

Workers (UGTT - Union General des Travailleurs Tunisiens). The UGTT claims about one third of the labor force as members, although more are covered by UGTT-negotiated contracts. Wages and working conditions are established through triennial collective bargaining agreements between the UGTT, the national employers' association (UTICA - Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat), and the Government of Tunisia. These agreements set industry standards and generally apply to about 80 percent of the private sector labor force, whether or not individual companies are unionized. The most recent wage agreements were completed on August 3, 2009, although negotiations on sectoral wages are still underway. The official minimum monthly wage in the industrial sector is 225.160 TND (about US $173.37) for a 40 hour week and 260.624 TND (about US $200.68) for a 48 hour week.

Foreign Trade Zones/Free Trade Zones

Tunisia has two free trade zones, one in the north at Bizerte, and the other in the south at Zarzis. The land is state-owned, but the respective zones are managed by a private company. Companies established in the free trade zones, officially known as "Parcs d'Activites Economiques," are exempt from most taxes and customs duties and benefit from special tax rates. Goods are allowed limited duty-free entry into Tunisia for transformation and re-export. Factories are considered bonded warehouses and have their own assigned customs personnel.

However, companies do not necessarily have to be located in one of the two designated free trade zones to operate with this type of business structure. In fact, the majority of offshore enterprises are situated in various parts of the country. Regulations are strict, and operators must comply with the Investment Code.

Foreign Direct Investment Statistics

Total foreign investment during the first 10 months of 2009 was TND 1.77 billion (US $1.36 billion), which represents a 36.4 percent drop (when calculated in USD, the drop is 39.55 percent) compared to the same period last year. This decline in foreign investment is the result of 34.4 percent decrease in foreign direct investment (TND 1.7 billion (US $1.3 billion) down from TND 2.6 billion (US $1.36 billion), and a 63.72 percent drop in portfolio investment (TND 70.7 million (US $54.43 million) down from TND 194.9 million (US $157.869 million). Over the third quarter of 2009, foreign investment in portfolio was marked by an ongoing withdrawal of foreign investors from the Tunis Stock Market as well as flat volume of transactions on their behalf. This withdrawal was likely due to the liquidity squeeze in foreign financial markets. The downward trend in FDI is attributable to a drop in investment flows for the sectors of energy and services as well as well as the effect of the international economic crisis. Some decline is attributable to a delay in disbursement of the investment announced by the Divona/Orange France Telecom consortium, which won the third telecom operator license valued at TND 257.251 million (US $198.08 million). Although this investment occurred during 2009, the consortium only disbursed a first tranche, TND 92 million (US $70.84 million), in August and has yet to disburse the rest.
Over 2,966 foreign or joint capital companies are operational in Tunisia and employ 303,142 people. Foreign investments generate about one-third of exports and one-fifth of total employment. In recent years, however, FDI in real estate, infrastructure, and the energy sector has been a significant source of growth.

Tunisia's largest single foreign investor is British Gas, which has developed the Miskar offshore gas field (US $650 million) and is investing a further US $500 million for new development. The largest single foreign investment was Turkish company TAV's 550 million euro (US $792 million) construction of the Enfidha International Airport, which is operating on a 40-year concession. Major foreign presence in other key sectors includes telecommunications and electronics (Lucent, Lacroix Electronique, Sagem, Alcatel, Stream, Siemens, Philips, Thomson), the automotive industry (Lear Corporation, Draxlmaier, Valeo, Toyota Tsusho, Pirelli), food products (3 Suisses, Danone) and aeronautics (Zodiac

Aerospace, Eurocast, SEA Latelec).

Major US company presence in Tunisia includes: Citibank, Cisco, Coca-Cola, Crown Cork, Eurocast (a joint venture with Palmer), Hewlett-Packard, Johnson Controls, Lear Corporation, Pioneer Natural Resources, Microsoft, Pfizer, Sara Lee (represented in Tunisia under the name of Essel Tunisie/DBA), and Stream. JAL Group, originally part of an Italian-owned group producing safety footwear for the export market, was recently purchased by US investors and, with a staff of over 4,600, is now the largest US employer in Tunisia. Over the past few years, Pioneer Natural Resources continued to expand its oil and gas drilling and production operations in Tunisia, bringing its total investments in Tunisia to approximately US $160 million.

Web Resources

Foreign Investment Promotion Agency (FIPA)
www.investintunisia.com

Central Bank of Tunisia
www.bct.gov.tn
General Information about Tunisia
www.tunisie.com

Tunisian Industrial Promotion Agency
www.tunisieindustrie.nat.tn

Bizerte Free Trade Zone
www.bizertaeconomicpark.com.tn

Zarzis Free Trade Zone
www.zfzarzis.com.tn

Stock Exchange
www.bvmt.com.tn

Privatization
www.privatisation.gov.tn

National Statistics Institute (INS)
www.ins.nat.tn

GRAY